

## Message Text

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ACTION TRSE-00

INFO OCT-01 NEA-10 ISO-00 L-03 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 PA-01 PRS-01 /058 W

----- 106514

R 221523Z JUL 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 5479

C O N F I D E N T I A L CAIRO 9936

DEPT PASS TREASURY

E.O. 11652: GDS

TAGS: EFIN EG

SUBJECT: GOE REFUSAL PERMIT CHASE LEND ANY OF ITS USG-OWNED

PL-480 CURRENCY

REF: CAIRO 5278

1. WHEN I MET WITH MINECON SHAFEI TODAY, I REMINDED HIM OF OUR EARLIER TALK ABOUT AUTHORIZING CHASE TO UTILIZE LE 6.5 MILLION OF THE USG PL-480 POUND HOLDINGS ON DEPOSIT WITH THE BANK FOR LOANS TO THE PRIVATE SECTOR (REFTEL). I RECALLED HE HAD BEEN SYMPATHETIC TO THE IDEA AND HAD AGREED TO LOOK INTO THE MATTER. AS HE KNOW, TREASURY IS VERY INTERESTED IN THIS IDEA AND BELIEVES IT WOULD HELP STIMULATE THE PRIVATE SECTOR. I ASKED ABOUT THE STATUS OF HIS EFFORTS.

2. SHAFEI SAID VERY SIMPLY THAT HE HAD TAKEN UP THE MATTER WITH THE CENTRAL BANK, WHICH HAD REFUSED. IT HAD ARGUED THAT PERMITTING THIS WOULD SET A PRECEDENT. REMINDED THAT HIS MINISTRY IS RESPONSIBLE FOR THE CENTRAL BANK, HE CLAIMED THAT IT WAS THE CENTRAL BANK BOARD, OVER WHICH HE HAS NO CONTROL, WHICH MADE THE DECISION. CENTRAL BANK BOARD BELIEVES AS DOES MINFIN, THAT CREDIT FACILITIES ARE EXTENSIVE AND SHOULD BE CONTRACTED. IT WAS IN THIS CONTEXT THE BOARD MADE  
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ITS DECISION.

3. SHAFEI'S VIEW, THE ONLY WAY TO OVER-RULE THE BOARD IS BY NEGOTIATING WITH THE PRIMIN AND HE WAS SKEPTICAL THAT EVEN THE PRIMMIN WOULD OVERTURN THE BOARD'S JUDGEMENT.

4. COMMENT: ONCE AGAIN, ABU ISMAIL--WHO, FROM THE OUTSET OBJECTED TO USING ANY OF THE FUNDS ON DEPOSIT WITH CAHSE FOR LENDING PURPOSES (CAIRO 4607)--HAS BESTED SHAFEI IN THE BUREAUCRATIC STRUGGLE. WE MUST NOW DECIDE WHETHER WE WISH TO MAKE THIS A MAJOR ISSUE TO TAKE UP WITH THE PRIMIN AND ASK HIM TO OVERTURN THE CENTRAL BANK BOARD DECISION. AS SEEN FROM HERE, THERE IS LITTLE PURPOSE IN MAKING THIS A MAJOR ISSUE. ABU ISMAIL IS RIGHT WHEN HE SAYS THAT THERE IS NO SHORTAGE OF EGYPTIAN POUND CREDIT FACILITIES AVAILABLE TO THE PUBLIC OR PRIVATE SECTORS. MOREOVER, GOE'S POLICY OF SEEKING TO RESTRICT AVAILABLE CREDIT FACILITIES MAKES SOME SENSE IN TERMS OF THE HARD-PRESSED EGYPTIAN ECONOMY. IF, HOWEVER, DEPT AND TREASURY WISH THIS TO BE MADE INTO A MAJOR BATTLE, WITH THE CORRESPONDING IRRITATION IN OUR BILATERAL RELATIONSHIP, WE ARE PREPARED TO TAKE IT UP AT TH HIGHER LEVEL.  
EILTS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PL 480, FOREIGN EXCHANGE HOLDINGS, POUND (CURRENCY), INTEREST RATES, LOANS  
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**Subject:** GOE REFUSAL PERMIT CHASE LEND ANY OF ITS USG-OWNED PL-480 CURRENCY  
**TAGS:** EFIN, EG, US  
**To:** STATE  
**Type:** TE  
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